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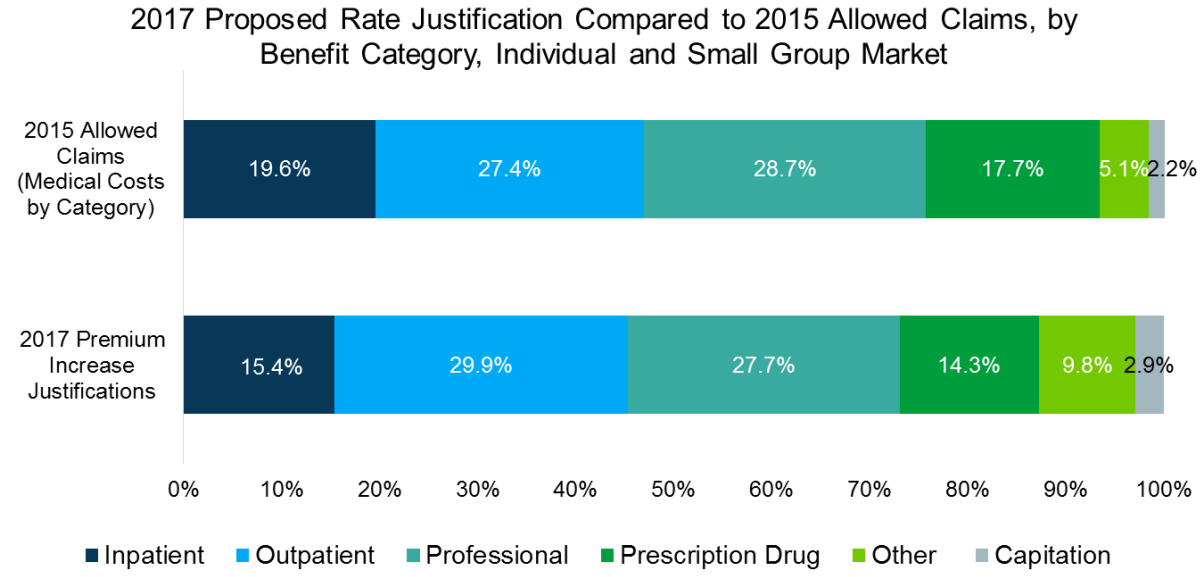
Outpatient Services Are the Largest Driver of 2017 Premium Increases

Prescription drugs are not outsized contributors to rate increases

A new analysis from Avalere shows that outpatient spending is expected to be the largest driver of premium increases in 2017. Outpatient spending accounts for 29.9 percent of 2017 rate increases and represents 27.4 percent of spending in these plans, according to 2015 allowed claims data. This finding is similar to 2016 premium trends. In previous analysis of final premiums data, Avalere found that outpatient spending accounted for 28.9 percent of premium increases—the highest across the six categories. The analysis of proposed rate filings includes data from nine states – Connecticut, Maryland, Maine, Ohio, Oregon, Rhode Island, Virginia, Vermont, and Washington.

Prescription drugs represent a smaller portion of rate increases than their share of overall healthcare spending based on proposed rates made by individual and small group plans across the nine states analyzed. Specifically, drugs are responsible for 14.3 percent of premium growth in 2017. This is lower than 2015 claims experience, which shows plans spent 17.7 percent of total medical spending on drugs.

“Preliminary data indicate that drugs are not likely to have a disproportionate impact on premiums in 2017,” said Caroline Pearson, senior vice president at Avalere. “Instead, outpatient spending continues to drive premium increases.”



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Notably, according to experts at Avalere, costs for inpatient care appear to be leveling off and are only expected to contribute 15.4 percent of 2017 premium increases, despite being 19.6 percent of spending in 2015.

"The data underscore the need to look across services and settings of care when considering premium drivers," said Elizabeth Carpenter, senior vice president at Avalere. "In addition, experiences vary dramatically by state, underscoring the local nature of healthcare markets."

The drivers of premium increases vary widely across plans and states. Among the states analyzed, drugs account for a higher portion of premium increases than their share of spending in five states. Conversely, in four states, drugs make up a smaller percentage of premium increases than their share of spending.

Methodology

Avalere examined the healthcare utilization factors impacting the proposed health insurance premium increases in the individual and small group market in 2017. These factors were comparison tested against the distribution of healthcare spending in this market. The analysis looked at issuer's 2017 Universal Rate and Review Templates (URRT) which contained issuers' historical and expected member utilization within six unique benefit categories defined by HHS: prescription drugs, inpatient hospital, outpatient hospital, professional services, "other" medical, and capitation. Other medical includes non-capitated primary care, specialist, therapy, the professional component of laboratory and radiology, and other professional services, other than hospital based professionals whose payments are included in facility fees. Avalere examined the portion of proposed 2017 premium increases attributable to each of these benefit categories—in addition to proposed increases attributable to administrative expenses, taxes and fees, and risk and profit charges.

Avalere then compared the portion of proposed premium increases represented by each benefit category in 2017 to actual spending reported in the same market for 2015 (the historical experience period). For this part of the analysis, Avalere excluded administrative expenses, taxes and fees, and risk and profit charges. 2017 premium justification includes all individual and small group market plans. Due to limitations in the member months information provided by health plans for the 2015 plan year, Avalere did not weight the analysis by health plan enrollment and weighted each state equally. Analysis excludes grandfathered plans and short term products.

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